



## Status of San Diego Regional Enterprise Zone

After working very hard these last few weeks to express the needs of the local business community within the boundaries of the San Diego Regional Enterprise Zone Program (SDREZ) to Sacramento legislators, the San Diego Regional Enterprise Zone Partnership (Cities of Chula Vista, National City and San Diego and the Port of San Diego) with the help of regional economic development partners, the South County Economic Development Council, the National City Chamber of Commerce, Otay Mesa Chamber of Commerce, Chula Vista Chamber of Commerce, the San Ysidro Chamber of Commerce, and much help and input from local businesses were successful in getting some language included AB 93 and SB 90 that may benefit the region. Many thanks to everyone who helped in this collaborative effort especially the region's local and state legislators.

The San Diego region was successful in ensuring that:

- Some businesses within qualifying census tracts of the former Enterprise Zones will be eligible for the new hiring credit incentive. The Governor's Office of Business and Economic Development (GOBiz) will notify SDREZ staff which census tracts in the San Diego region are eligible for the this hiring credit.
- Additional employee eligibility categories were added to the three categories initially proposed for the new hiring credit incentive: 1) long-term unemployed; 2) unemployed veterans; 3) recipients of the Earned Income Tax Credit (EITC); 4) Ex-offenders; 5) CalWorks recipients; and 6) recipients of General Assistance.
- Businesses with existing Enterprise Zone hiring credits on the books will have 10 years (until January 1, 2024) to continue taking advantage of the carryover credits.

With the State of California's implementation of new economic development incentives, the **San Diego Regional Enterprise Zone Program, as we know it, will end on December 31, 2013**. There are still many questions about AB 93, however, we want to provide you with information and will continue to update you as new information becomes available. To receive the updates, register your email at <https://www.facebook.com/#!/SDRegionalEZ?fref=ts> or email the SDREZ Manager at [ksullivan@sandiego.gov](mailto:ksullivan@sandiego.gov).

Although AB 93 effectively eliminates tax incentives associated with Enterprise Zones as well as eliminates the Small Business New Hire Tax Credit and are replaced with other incentives, businesses in the San Diego Regional Enterprise Zone will still have the opportunity to earn tax credits for hiring qualified employees and making qualifying equipment purchases through December 31, 2013. Here is what this means for your business:

- 1) If you have already hired an employee and obtained an Enterprise Zone Hiring Credit Certificate, you may continue to accrue tax credits for the employee, even if the employee continues working for your company after the end of this year when the Enterprise Zone Act is expired. The Enterprise Zone tax credits will continue to carry forward for up to 10 years through January 1, 2024.
- 2) If you have hired an "EZ eligible" employee in the last couple of years and have not yet obtained an Enterprise Zone Hiring Certificate, you should do so **NOW, DO NOT WAIT**. While AB 93 is clear that any employees hired prior to the end of the year would qualify, it is not clear whether businesses will still

be able to submit voucher applications after the end of this year. Therefore, you should submit your application before the end of this year to ensure that you are able to obtain your entitled benefits. In the last six months, the SDREZ has seen an increase of 400% in the number of applications received. It is anticipated that even more applications will be submitted through the end of the year. The time to submit Enterprise Zone Hiring Credit Applications to the SDREZ Manager is **NOW!**

3) If you are thinking of hiring new employees in the near future and would like to take advantage of the credit, **IT IS NOT TOO LATE!** Qualified employees hired before the end of the calendar year may still be eligible, and you can continue to claim the credit for as long as they remain employed with your company in the Enterprise Zone. Please contact the Enterprise Zone or local Career Center immediately if you are interested in hiring an employee before the end of the year. We can help make sure that you complete the hiring process and the necessary paperwork in time to claim the credit going forward.

4) If you are contemplating purchasing manufacturing, R & D, communications, or renewable production equipment, discuss with your accountant whether it is more advantageous to purchase the equipment and place it into service by December 31, 2013 to take advantage of the Enterprise Zone Sales & Use Tax Credit (tax credit based on sales tax paid) or wait until after July 1, 2014 to utilize the new incentive, the Sales Tax Exemption (4.19% State sales tax exemption) for manufacturing and R & D equipment.

### **Enterprise Zone Tax Credit FAQ's**

Although there are still many questions about the new program in AB 93; it is still business as usual for businesses in the San Diego Regional Enterprise Zone until December 31, 2013.

#### **Can I still submit voucher applications for new hires?**

Yes, businesses who have hired eligible employees can still submit voucher requests to the City to receive a voucher certificate through December 31, 2013

#### **Will I lose my credits after December 31, 2013?**

Businesses that have generated Enterprise Zone tax credits will have 10 years to continue taking advantage of the Enterprise Zone tax credits until January 1, 2024.

#### **How are businesses being informed of any changes to the program?**

To receive e-notify messages with updated information on the status of the Enterprise Zone program, register your email at <https://www.facebook.com/#!/SDRegionalEZ?ref=ts> or email the San Diego Regional Enterprise Zone Manager at [ksullivan@sandiego.gov](mailto:ksullivan@sandiego.gov).

#### **Are employees still eligible if they live in the Targeted Employment Areas (TEAs)?**

If you have eligible employees under the TEA category you can still send in your voucher application for processing through December 31, 2013. The City is currently working with the State HCD to update the TEAs and will have more information available soon.

#### **My business has not taken advantage of the hiring tax credits available through the Enterprise Zone. Is it too late for my business to send voucher applications?**

No, it's not too late. All businesses located in the San Diego Regional Enterprise Zone can submit voucher applications through December 31, 2013 regardless of whether you have taken advantage of the benefit in the past or not.

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For additional questions please contact the San Diego Regional Enterprise Zone office at 619-533-5954, send an email to the San Diego Regional Enterprise Zone Manager at [ksullivan@sandiego.gov](mailto:ksullivan@sandiego.gov) or Craig Ruiz at [cruiz@chualvisitaca.gov](mailto:cruiz@chualvisitaca.gov), or post your questions on the SDREZ Facebook page <https://www.facebook.com/#!/SDRegionalEZ?ref=ts>.